



**Joint Legislative Oversight Committee
on Medicaid and NC Health Choice
Nov. 29, 2016**

**Department of Health and Human Services
Medicaid and NCHC Financial Update**



Agenda

- Historical review
- SFY17 YTD results versus last year
- SFY17 YTD results versus authorized budget
- Category of service analysis
- Concluding remarks

Executive summary

Through October, the Medicaid program is \$22.3 million in appropriations under budget. This favorable budget variance is largely driven by:

- Medicaid population varies from the forecasted profile toward a less costly population**
- Negotiated rate decrease for LME/MCOs**

While it is early in the year and negative issues can still arise, current trends indicate that DMA will finish this state fiscal year within budget

Historical review

Medicaid comprises about three-fourths of DHHS appropriations

NC Medicaid: Health benefit program for people with disabilities, seniors, low-income families and their children. Medicaid serves over 1.9 million individuals.

NC Health Choice: Provides health care coverage to approximately 90,000 children ages 6 through 18 whose family income exceeds Medicaid financial eligibility criteria, but is 133% to 211% of the federal poverty level.

DHHS - Medical Assistance - Special Fund: This budget entity is a holding fund primarily for recoveries dealing with third-party liabilities, insurance settlements and costs settlements.

Health Care Expenditures – Revenues = State Appropriations

\$ millions

Medicaid:

Expenditure	\$ 13,303.1	\$ 13,744.4	\$ 13,771.1
Federal Revenue	8,432.7	8,751.7	8,771.3
Other Revenue	1,466.6	1,434.9	1,507.0
Appropriations	\$ 3,403.8	\$ 3,557.7	\$ 3,492.8

Health Choice:

Expenditure	\$ 246.4	\$ 175.2	\$ 172.8
Federal Revenue	187.3	132.6	160.8
Other Revenue	0.5	0.9	0.8
Appropriations	\$ 58.7	\$ 41.7	\$ 11.1

Special Fund:

Expenditure	\$ 123.6	\$ 211.8	\$ 205.3
Federal Revenue	-	-	-
Other Revenue	106.1	250.6	206.4
Appropriations	\$ 17.5	\$ (38.8)	\$ (1.0)

Total DMA:

Expenditure	\$ 13,673.1	\$ 14,131.3	\$ 14,149.2
Federal Revenue	8,620.0	8,884.3	8,932.1
Other Revenue	1,573.1	1,686.4	1,714.2
Appropriations	\$ 3,480.0	\$ 3,560.6	\$ 3,502.9

Blended FMAP: SFY14 = .6571, SFY15 = .6586, SFY16 = .6615

Historical review

\$ millions (except per enrollee)	Medicaid Summary		
	SFY14	SFY15	SFY16
Expenditure	\$13,303	\$13,744	\$13,771
Federal Revenue	8,433	8,752	8,771
Other Revenue	1,467	1,435	1,507
Appropriations	\$3,404	\$3,558	\$3,493
Avg. Enrollment	1,655,477	1,807,996	1,855,834
Approp/Avg Enroll	\$2,056	\$1,968	\$1,882
Approp/PMPM	\$171	\$164	\$157

For the past three years, state use of appropriations for Medicaid has continually decreased on a per member per month (PMPM) basis.

- Legislative initiatives, programming and rate changes
- Fair negotiations with providers while maintaining good stewardship of taxpayer dollars
- Increased Federal Medical Assistance Percentages (federal share of costs)
- Lower average recipient cost due to growth in enrollment in younger and healthier Medicaid population

NC Medicaid year-end financial positions

For three consecutive fiscal years, Medicaid ended with a reversion to the general fund

Reversion amount in SFY17 is likely to be far less than last year



Medicaid SFY17 actuals vs. prior year

MEDICAID SUMMARY at 10/31/2016 (\$ millions)				
	SFY2016 YTD	SFY2017 YTD	VARIANCE	
			\$	%
Expenditures	\$4,706.4	\$4,677.9	(\$28.4)	-0.6%
Federal Revenues	\$2,917.7	\$2,869.9	(\$47.8)	-1.6%
Other Revenues	\$630.7	\$627.3	(\$3.4)	-0.5%
State Appropriations	\$1,157.9	\$1,180.7	\$22.8	2.0%
			#	%
Avg. Enrollment (<i>millions</i>)	1.824	1.925	0.101	5.5%

**Through October 2016,
Medicaid's use of
appropriations was
\$22.8M or 2.0% more than
this time last year.**

Medicaid SFY17 actuals vs. prior year

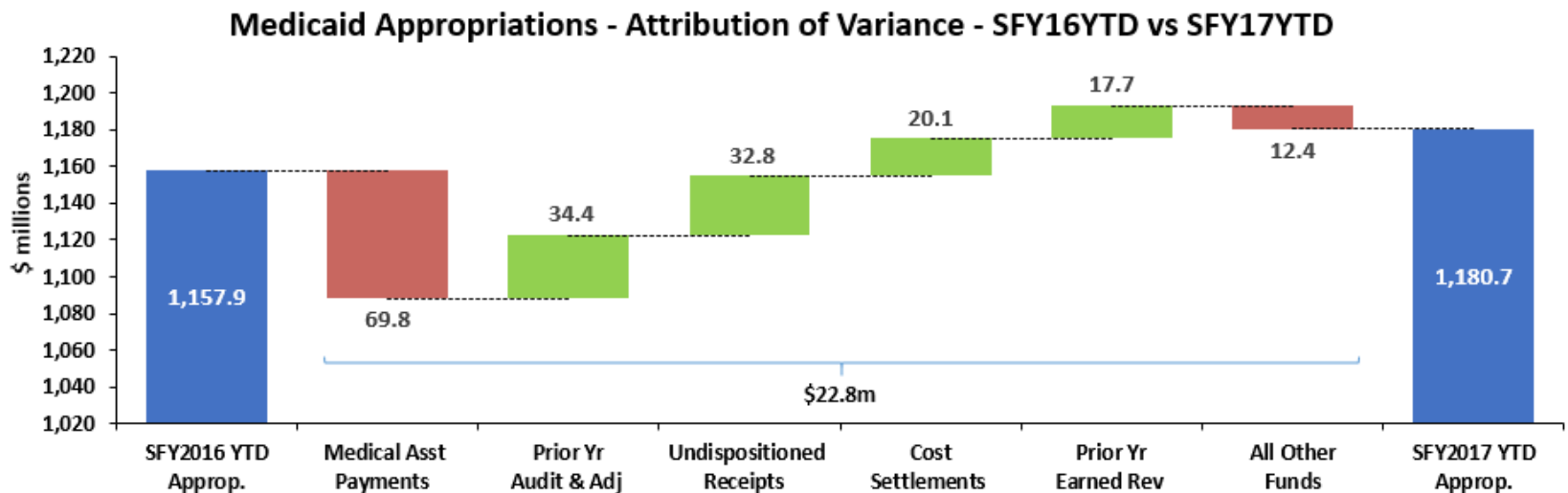
Change in use of appropriations vs. prior year is driven primarily by:

Increases in the use of appropriations

- Carryforwards from SFY15 that were paid in SFY16 (\$34.4M)
- Dispositioned receipts balance currently higher than last year. This is a cash clearing fund whose balance will fluctuate over time (\$32.8M)
- Cost settlements versus last year (\$20.1M)

Lower net fee-for-service and capitation payments (\$69.8M)

Partially offset by decreases in the use of appropriations



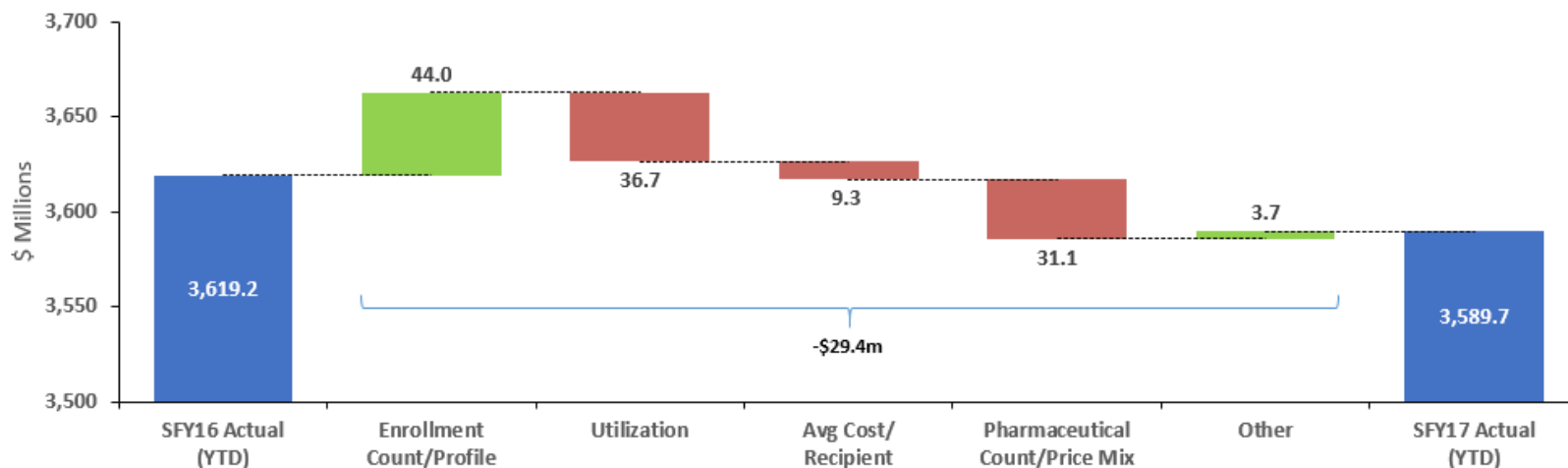
Medicaid SFY17 actuals vs. prior year

A closer look at Medicaid claims expenditures versus last year

Primary drivers of the difference in claims expenditures from last year are:

- **Increased enrollment (\$44.0M)**
- **Decreased utilization (\$36.7M)**
- **Lower pharmaceutical cost growth along with increase in drug rebates (\$31.1M)**

Medicaid Claims Expenses - Attribution of Variance - SFY16(YTD) vs SFY17(YTD)



Medicaid SFY17 actuals vs. budget

MEDICAID SUMMARY at 10/31/2016 (\$ millions)				
	SFY2017B YTD	SFY2017 YTD	VARIANCE	
			\$	%
Expenditures	\$4,821.2	\$4,677.9	(\$143.3)	-3.0%
Federal Revenues	\$3,082.4	\$2,869.9	(\$212.4)	-6.9%
Other Revenues	\$535.9	\$627.3	\$91.4	17.1%
State Appropriations	\$1,203.0	\$1,180.7	(\$22.3)	-1.9%
			#	%
Avg. Enrollment (<i>millions</i>)	1.914	1.925	0.011	0.6%

**Through Sept. 2016,
Medicaid's use of
appropriations was
\$22.3M or 1.9% less
than budgeted for this
point in the year**

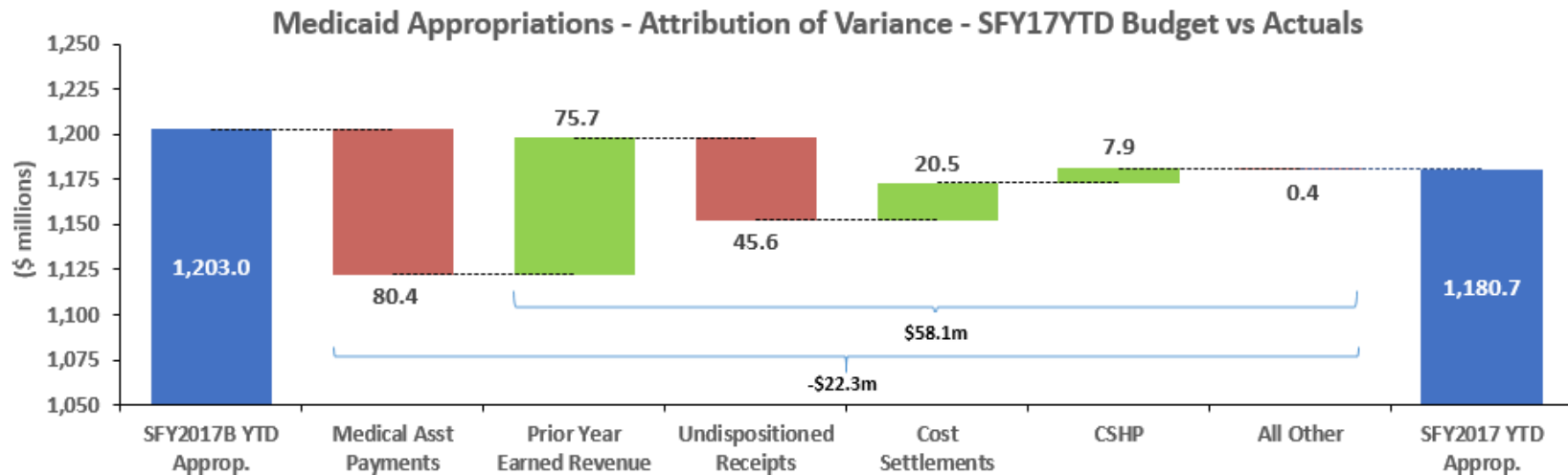
Medicaid SFY17 actuals vs. budget

Net favorable variance in use of appropriations vs budget is driven primarily by:

Increases in the use of appropriations

- Lower net fee-for-service and capitation payments includes a \$52.9M carryforward for unearned federal funds (\$80.4M)
- Undispositioned receipts sitting in the cash clearing fund will fluctuate throughout the year (\$45.6M)
- A larger payback of unearned receipts in a non-budgeted accounting fund (\$75.7M)
- Refunded federal share and prior year settlements (\$20.5M)

Partially offset by decreases in the use of appropriations

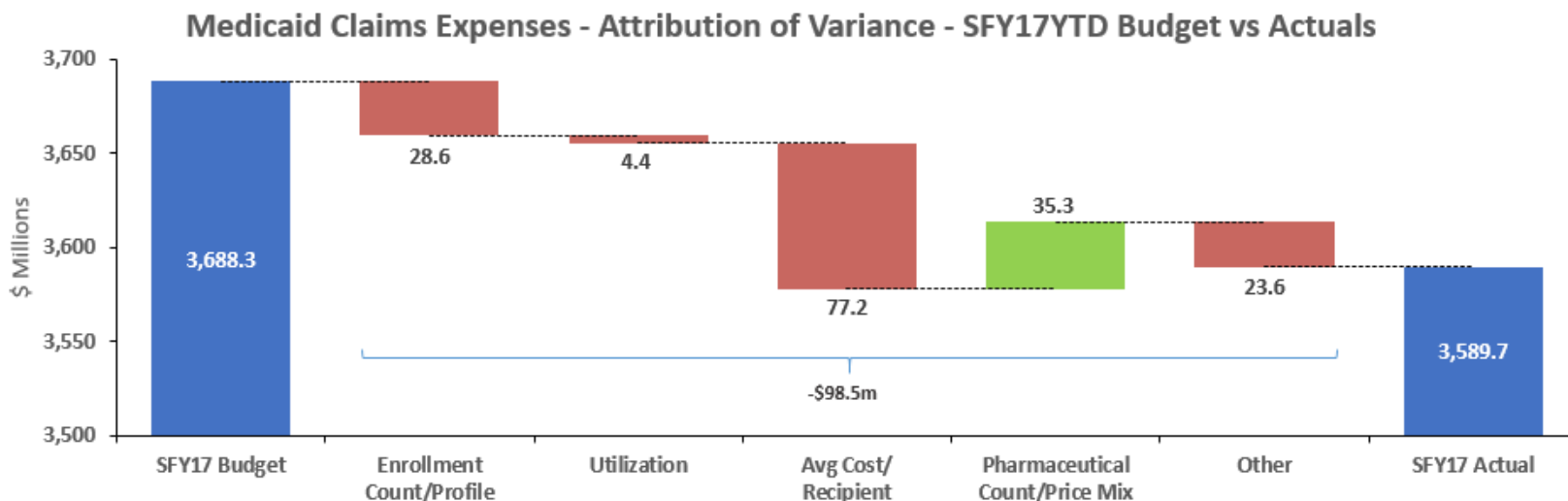


Medicaid SFY17 actuals vs. budget

A closer look at Medicaid claims expenditures versus last year

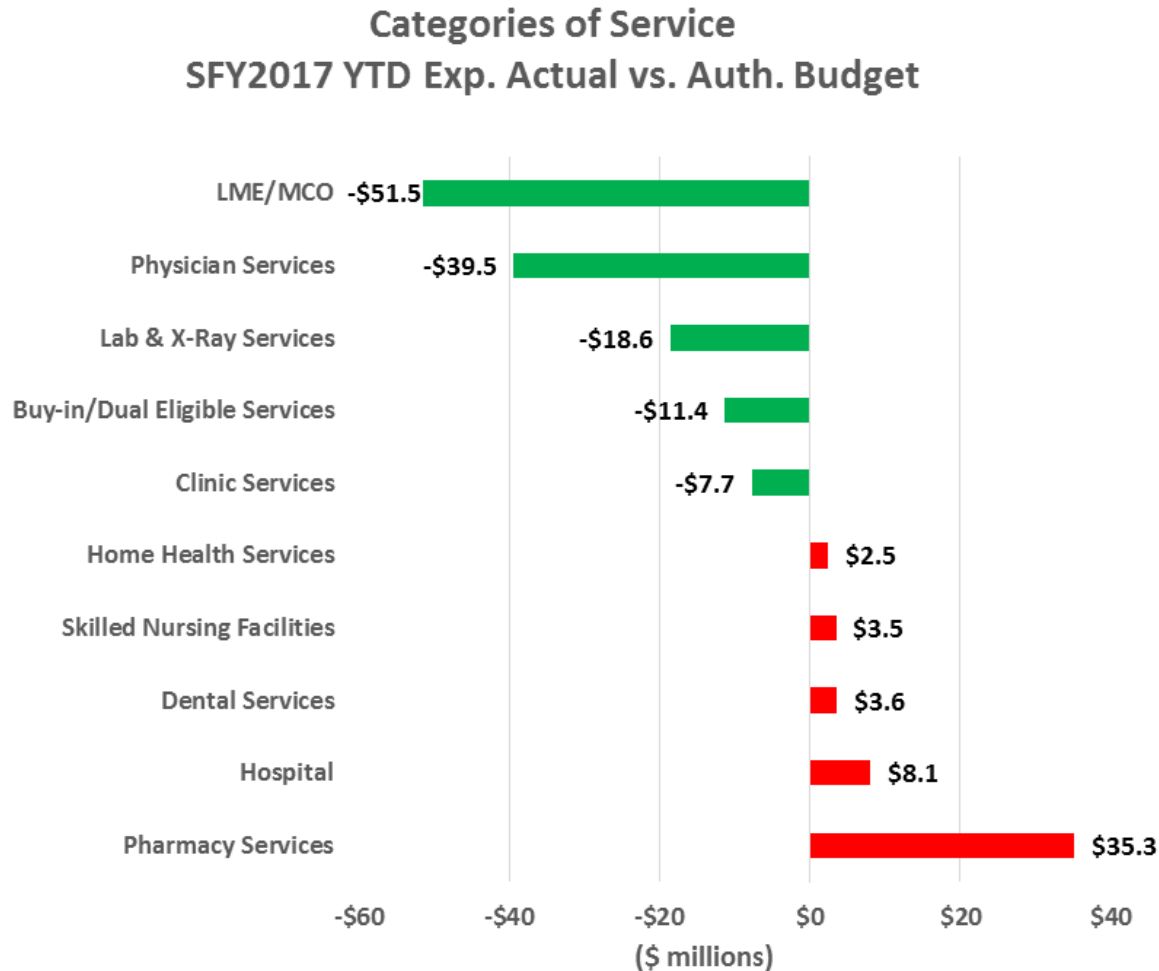
Primary drivers of the difference in claims expenditures between budget and actual results are:

- **More beneficiaries in lower cost eligibility group/service type combinations (\$28.6M)**
- **Reduced average cost per recipient related to recoveries on overpayments (approximately \$45M of the \$77.2M)**



Categories of Service

Top and bottom 5 by SFY17 YTD expenditures vs. authorized budget



Negative Variances (Green) = Favorable to Budget

Positive Variances (Red) = Unfavorable to Budget

Concluding remarks

- **Current year appropriations spending is ahead of last year, but spending remains within budget for SFY17**
- **After normalizing for one-time events, Medicaid expenditures are running slightly below budget YTD**
- **Current trends suggest that Medicaid will finish the fiscal year within budget**